D.P.U. 96-4-CC

Investigation by the Department of Public Utilities into Eastern Edison Company's conservation charges, and the various components of those charges including, but not limited to, Eastern Edison Company's 1994 demand-side management monitoring and evaluation reports, and a change in the Company's Conservation Cost Clause Tariff.

APPEARANCE: David A. Fazzone, P.C.
McDermott, Will & Emery
75 State Street
Boston, Massachusetts 02110
FOR: EASTERN EDISON COMPANY
Petitioner

I. INTRODUCTION

A. Procedural History

On October 27, 1995, Eastern Edison Company ("EECo" or "Company") filed with the Department of Public Utilities ("Department") a petition for approval of its proposed Conservation Cost Clause Tariff ("CC Tariff"), M.D.P.U. 302. The Company also sought approval of a change in the Conservation Charge ("CC") applicable to each rate class for the period commencing January 1, 1996 and ending December 31, 1996. These matters were docketed as D.P.U. 96-4-CC.

The Company submitted impact and process evaluations that were used to estimate savings for the Company's demand-side management ("DSM") programs. The savings estimates produced by the DSM impact evaluations are used by the Company and the Department for planning purposes and for determining the lost base revenue ("LBR") to be collected by the Company in a particular year.[1]

Pursuant to notice duly issued, a public hearing on the Company's petition was held on December 1, 1995, at the Department's offices in Boston. The Department received no petitions for leave to intervene in the proceeding. The record includes two exhibits submitted by the Company and 23 exhibits submitted by the Department.

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[1] Impact evaluations use quantitative analyses to assess energy and capacity savings resulting from the implementation of DSM programs. Process evaluations focus on qualitative issues such as program design and operational efficiency. Massachusetts Electric Company, D.P.U. 90-261, at 99 (1991).

In this Order, the Department will determine whether the savings estimates included in the Company's impact evaluations satisfy the criteria established by the Department for review of such evaluations. The Department also will make findings with respect to the Company's proposed CC Tariff. Finally, the Department will make findings regarding the CC rates to be implemented by the Company for the period of January 1, 1996 through December 31, 1996.

B. DSM Savings Estimation Techniques

The Department has not specified the savings estimation techniques to be used by companies in their impact evaluations. Instead, companies are allowed the flexibility to select techniques that they deem most appropriate, provided that the techniques satisfy the standards of review set forth in Section I.C, below. The impact evaluations that are the subject of this Order include a variety of savings estimation techniques, including engineering estimates, billing analysis, end-use metering, load shape data, and surveys.[2]

As a general rule, the first step in developing energy and demand savings estimates consists of producing engineering estimates of annual savings, based on the number of energy conservation measures ("ECMs") installed. These estimates are called "tracking system" estimates. As stated in Section I.C, below, the Department generally has required companies to measure actual savings after the installation of the ECMs. Post-installation measurement techniques typically measure the savings for a sample of program participants in a particular year (the "participant group"). The savings estimates for the participant group then are extrapolated to the entire population of program participants. One frequently-used extrapolation method involves

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[2] For a generic description of these techniques, see Cambridge Electric Light Company/ Commonwealth Electric Company, D.P.U. 94-2/3-CC at 9-18 (1994); Massachusetts Electric Company, D.P.U. 92-217-B at 7-16 (1994).

the calculation of a "realization rate" for the participant group. The realization rate is defined as the ratio of the measured savings estimates for the participant group to the tracking system estimates for the same group. To calculate total program savings estimates, the tracking system estimates for the entire population of program participants are multiplied by the realization rate.

In order for the Department to determine LBR, the savings estimates must reflect an estimate of actual savings for test year implementation and for any other implementation year for which LBR is requested, and exclude the level of savings that would have occurred in the absence of implementation of the DSM programs.[3]

C. STANDARD OF REVIEW FOR IMPACT EVALUATIONS

In Massachusetts Electric Company, D.P.U. 92-217-B, the Department introduced a standard of review to be applied to impact evaluations. The Department stated that, in order for a company's DSM savings estimates to be accepted, the company must demonstrate that its impact evaluations are reviewable, appropriate, and reliable. Id.

An impact evaluation is considered reviewable if it is complete, clearly presented, and contains a summary that sufficiently explains all assumptions and data presented. An impact evaluation is considered appropriate if evaluation techniques selected are reasonable given consideration of the characteristics of a particular DSM program, the company's resources, and

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[3] Savings estimates that do not take into account the level of savings that would have occurred in the absence of implementation of the DSM programs are referred to as "gross" savings estimates. To determine net savings estimates, gross savings estimates must be adjusted for non-program factors that may affect the electricity consumption of program participants, such as free-ridership, economic conditions, weather, spillover, and snap-back.

the available methods for determining demand and energy savings estimates.[4] Id. at 6-7. Finally, an impact evaluation is considered reliable if the savings estimates included in the evaluation are sufficiently unbiased and are measured to a sufficient level of precision, again, given consideration of the characteristics of a particular DSM program, the company's resources, and the available methods for determining demand and energy savings estimates. Id. at 7.

With respect to the precision of savings estimates, the Department recognizes that, in certain instances, the costs of obtaining more precise estimates of savings may exceed the incremental value of those more precise estimates. See Massachusetts Electric Company, D.P.U. 90-261, at 100 (1991). Therefore, the Department directs companies to pursue savings measurement activities that maximize the level of precision of the DSM savings estimates, but only to the extent that the marginal value of the more precise savings estimates exceeds the marginal cost of obtaining the additional precision. See Boston Edison Company, D.P.U. 90-335, at 100-103, 110 (1992); D.P.U. 90-261, at 106, 108.

II. IMPACT EVALUATIONS

A. Reviewability

The Company submitted for review impact evaluations for six DSM programs: the Single Family Retrofit Program, the Multifamily Retrofit Program, the Residential Efficient Lighting Program, the Energy Crafted Home Program, the Commercial and Industrial ("C/I") Efficient Construction Program, and the C/I Retrofit Program. Based on a review of the impact evaluations submitted in this proceeding, the Department finds that the Company's filing is

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[4] The Department recognizes that the state-of-the-art in methods used to determine DSM savings estimates is evolving and expects companies to remain up to date with technological and methodological advances in the field.

complete, clearly presented, and contains a summary that sufficiently explains all assumptions and data presented. Accordingly, the Department finds that the Company's impact evaluations are reviewable.

B. Single Family Retrofit Program

1. Description

The Single Family Retrofit ("SFR") Program is designed to encourage installation of energy efficient equipment in existing residential dwellings of one to four units (Exh. EE-2, Att. CSW-4, at 2-1).[5] The Company reported savings estimates from installations completed in 1992, 1993, and 1994 (Exh. EE-2, Schs. CSW-1 and CSW-4). The Company stated that it developed savings estimates by first comparing weather normalized pre- and post-installation consumption data of participants for whom data was available (Exh. EE-2, at 11). The Company reported that it then calculated the ratio of the savings determined by the billing data analysis to the tracking system estimates[6] for those participants to calculate realization rates (id.). Separate realization rates were developed for three market sectors: electric space heating, electric water heating, and general use customers (id. at 12). Savings estimates were then determined by applying the realization rates for each market sector to the tracking system estimates for participants in each sector (id.). Savings estimates were adjusted by measure-specific free-rider[7]

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[5] For a more complete description of the program see D.P.U. 94-4-CC at 18-21.

[6] The Company reported that tracking system estimates are based on the measures installed and the engineering estimates of expected energy savings (Exh. EE-2, Att. CSW-4, at 3-1).

[7] Free riders are defined as participants who, in the absence of the program, would have purchased program measures on their own (Exh. EE-2, Att. CSW-4, at 2-36).

estimates developed through customer surveys (id.).[8] The Company reported that the net savings per participant are consistent with the savings in similar programs measured by other local utilities (id. at 13).[9] The Company does not plan to conduct an impact evaluation of this program next year, but plans to conduct research on potential new measures and program designs for residential customers (Exh. DPU-13).

2. Analysis and Findings

The record shows that the Company calculated gross savings estimates based on actual pre- and post-installation billing data. To calculate net savings estimates, the record indicates that the Company incorporated free-rider estimates based on participant surveys. The Department previously has found the analysis of billing data a reasonable method for estimating savings for a similar program. See Massachusetts Electric Company, D.P.U. 95-6-CC at 38-39 (1995). In the instant case, the Department finds that the Company's method led to savings estimates that are sufficiently unbiased and precise. In addition, the savings estimates are consistent with the estimates for similar programs found by other utilities. Therefore, the Department finds the Company's impact evaluation method appropriate and the savings estimates reliable, and accepts the Company's estimate of savings for this program, as presented in this proceeding.

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[8] The Company reported that customer surveys were performed as a part of the impact evaluation of the SFR Program (Exh. EE-2, Att. CSW-4, at 2-36).

[9] The Company stated that, although the impact evaluation included a statistical billing analysis, the results of that analysis were counterintuitive and imprecise (Exh. EE-2, at 13). Therefore, the Company reported that it did not fully incorporate the results of the statistical billing analysis in its estimates of program savings (id. at 12).

C. Multifamily Retrofit Program

1. Description

The Multifamily Retrofit ("Multifamily") Program was designed to encourage the installation of energy conservation improvements in existing public and private housing facilities containing five or more units (Exh. EE-2, Sch. CSW-11, at 13). During 1993, customers received all services under this program at no direct cost, with the exception of installation of common area and outdoor lighting measures, which require a contribution from the customer (id.).[10]

The Company performed an impact evaluation of the Multifamily Program in order to develop gross and net savings estimates and to assess the persistence of the measures installed through the program (id.). The evaluation was designed as a multi-year study of the program based on implementation during 1991, 1992, and 1993 to estimate savings in 1992, 1993, and 1994 (id.). The evaluation study incorporated four interrelated components: (1) statistical billing analysis and program participation data; (2) site visits of a random sample of program participants; (3) telephone surveys of a random sample of program participants; and (4) in-depth review of engineering estimates (id.).

The statistical billing analysis was conducted using two different methods (Exh. EE-2, Sch. CSW-11, at 14). A conditional savings analysis approach was used to derive net annual energy savings from program installations completed in 1992 and 1993 (id.). A statistically adjusted engineering approach was used to derive net annual energy savings for 1994 installations

[10] For a complete description of the program, customer contribution, and process evaluation, see D.P.U. 94-4-CC at 22-24.

(id.). Both model specifications resulted in consistent estimates of net savings for the period 1991 through 1993 (id.).

Based on the impact evaluation, the Company reported a realization rate of approximately 50 percent, a persistence rate of 85 percent three years after installation, total free ridership of 16 percent, and total spillover[11] of 20 percent (Exh. EE-2, Sch. CSW-11, at 16). The Company stated that the large variance between expected and actual savings, i.e., the low realization rate, can be attributed to a number of factors, including, but not limited to, naturally occurring conservation, assumptions used in the engineering estimates, and other behavioral characteristics specific to multifamily facilities (Exh. EE-2, Att. CSW-5, at v).

In addition, the Company reported actual savings of zero from the air sealing measures installed under the Multifamily Program (Exh. EE-2, Sch. CSW-6, at 2, 3). Although the Company stated that these reported savings are inaccurate and are the result of the inability of the billing analysis to properly assess savings for this measure, there were no other reasonable savings estimates available for air sealing measures (Exh. DPU-12).

2. Analysis and Findings

The record shows that the Company calculated net savings based on post-installation site visits and pre- and post-installation billing data. With the exception of calculating savings for air sealing measures, the Department finds that billing data analysis is a reasonable method of estimating savings for this program. The Department finds the savings estimates presented by the Company to be sufficiently unbiased and precise and, therefore, reliable. The Department also

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[11] Spillover is additional savings induced by a DSM program, but not directly attributable to it (Exh. EE-2, Att. CSW-5, vol. 1, at IV-8).

finds the Company's impact evaluation method to be appropriate. Therefore, the Department accepts the Company's estimate of savings for the Multifamily Program as presented in this proceeding. The low realization rates reported by the Company may be attributed to a number of factors inherent in using billing analysis to estimate savings in multifamily facilities. Therefore, the Department directs the Company to reevaluate the use of billing analysis in the determination of savings for this program in the future.

D. Other Programs

The Department has reviewed the impact evaluations of the Residential Efficient Lighting, Energy Crafted Home, and C/I Efficient Construction programs as presented by the Company in this proceeding. Based on a review of these evaluations, the Department finds that the savings estimates presented therein are sufficiently unbiased and precise and, therefore, reliable, and finds that the impact evaluation methods are appropriate. Therefore, the Department accepts the Company's estimates of savings from 1992, 1993, and 1994 installations for the Residential Efficient Lighting, Energy Crafted Home, and C/I Efficient Construction programs as presented in the Company's filing.

In addition, the Company applied the results of the impact evaluation conducted in 1994 on 1993 participants in the C/I Retrofit Program to the 1994 participants to determine savings estimates for this program. The Department reviewed the 1994 impact evaluation of the C/I Retrofit Program and accepted the savings estimates in D.P.U. 94-4-CC.[12] Therefore, the

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[12] The Company reported that the realization rates that the Department approved in D.P.U. 94-4-CC were used to compute the savings estimates presented in this filing for this program.

Department accepts the savings estimates for 1994 participants in this program for the purposes of calculating LBR in this proceeding.

III. 1996 PROGRAMS AND BUDGETS

A. Introduction

The Company proposed to implement DSM programs in 1996 as approved by the Department in the Addendum to the Settlement in the Company's last Integrated Resource Planning proceeding, Eastern Edison Company, D.P.U. 94-110 (1995). The program designs reported by the Company in the instant proceeding are consistent with the programs that were approved in D.P.U. 94-110. The Company sought approval of an overall budget for 1996 DSM programs of $6,600,100 (Exh. EE-2, Sch. CSW-13). Of this total budget, $5,532,900 is for contractor payments, $611,200 is for administrative expenses, $126,000 is for marketing, and $330,000 is to be used for evaluation activities (id.). In the following sections, the Department reviews the program designs submitted by the Company and discusses the changes the Company proposes from the budgets approved in D.P.U. 94-110.

B. Program Designs and Budgets

1. Large C/I Retrofit Program

The Large C/I Retrofit Program encourages all commercial, industrial, and institutional customers with a monthly demand of at least 500 kilowatts ("KW") to reduce peak demand and energy consumption by replacing existing equipment in their facilities with high efficiency equipment (Exh. EE-2, Sch. CSW-12, at 1). Customers are required to contribute either two years' worth of energy savings or 50 percent of the cost of the installed measures, whichever is greater (id.). The Company proposes a budget of $1,189,200 for this program (Exh. EE-2,

Sch. CSW-13). This amount represents a decrease of $120,792 from the budget approved in D.P.U. 94-110 (Exh. EE-2, at 6).[13] The Company does not propose to conduct an impact evaluation of this program in 1996 (id. at 1).

2. Small/Medium C/I Retrofit Program

The Small/Medium C/I Retrofit Program encourages all commercial, industrial, and institutional customers with a monthly demand of less than 500 KW, as well as multifamily facilities with ten or more units, to reduce peak demand and energy consumption by replacing existing equipment in their facilities with high efficiency equipment (Exh. EE-2, Sch. CSW-12, at 3).[14] The customer contribution is dependent upon the type of measure installed.[15] For multifamily facilities, the customer contribution is changing significantly. Under the Multifamily Program implemented in 1995, customers contributed only to the costs of common area and outdoor lighting measures. The Company proposes a budget in 1996 for this program of $2,637,200 (Exh. EE-2, Sch. CSW-13). This amount represents a decrease of $1,293,753 from

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[13] The majority of this decrease is explained by a reduction in administration expenses that is the result of a recent Company reorganization. In addition, the budget approved in D.P.U. 94-110 included $38,155 for an evaluation of the Program in 1996 which the Company stated will not be performed (Exh. DPU-2, at 4).

[14] All multifamily units were previously serviced under the Multifamily Program. Beginning in 1996, the Company proposes to service multifamily facilities with up to nine units through the Residential Retrofit Program, while multifamily facilities with more than nine units will be serviced through the Small/Medium C/I Retrofit Program (Exh. DPU-1).

[15] For non-lighting measures, the required customer contribution is 30 percent of the cost of the installed measures or twelve months' worth of energy savings, whichever is greater. For lighting measures, the required customer contribution is 40 percent of the cost of the installed measures or 18 months' worth of energy savings, whichever is greater (Exh. EE-2, Sch. CSW-12, at 3).

the budget that was approved in D.P.U. 94-110 (Exh. DPU-2, at 4, 5).[16] The Company does not propose to conduct an impact evaluation of this program in 1996 (id. at 1).

3. C/I Efficient Construction Program

The C/I Efficient Construction Program offers incentives and technical assistance to promote energy efficiency in the design and construction of new commercial, industrial, institutional, and multifamily facilities to reduce peak demand and energy consumption (Exh. EE-2, Sch. CSW-12, at 5). Incentives are also offered for the reconstruction, renovation, and remodeling of existing facilities in an energy efficient manner, as well as for the installation of energy efficient equipment in place of standard equipment in remodeled facilities (id.). The Company proposes a budget of $1,064,600 for this program (Exh. EE-2, Sch. CSW-13). This amount represents an increase of $238,084 from the budget approved in D.P.U. 94-110 (Exh. DPU-2, at 5, 6). The Company does not propose to conduct an impact evaluation of this program in 1996 (id. at 1).

4. Residential Retrofit Program and Joint Effort with Bay State Gas

The Residential Retrofit Program seeks to reduce peak demand and energy consumption by offering energy conservation improvements to single family homes and residential multifamily homes containing one to nine units (Exh. EE-2, Sch. CSW-12, at 7). Electric conservation measures will also be delivered to customers served by Bay State Gas Company's conservation program (id.). There is no customer contribution required for most of these services.[17] The

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[16] The majority of this decrease is explained by a decrease in the portion of the budget allocated to contractor payments. The budget for contractor payments was reduced by $961,288, of which $384,820 was shifted to the C/I Efficient Construction Program.

Company proposes a budget of $800,400 for implementation of this program in 1996 (Exh. EE-2, Sch. CSW-13). This amount represents a decrease in the amount of $1,167,891 from the budget approved in D.P.U. 94-110 (Exh. DPU-2, at 4-6).[18] The Company does not propose to conduct an impact evaluation of this program in 1996 (id. at 1).

5. Residential Efficient Lighting Program

The Residential Efficient Lighting Program promotes the reduction of peak demand and energy consumption by all residential customers through the installation of efficient residential lighting technologies including compact fluorescent lamps, fluorescent fixtures, and adapters (Exh. EE-2, Sch. CSW-12, at 8). Customers will be able to receive up to four lamps per year at a discount, either through retail rebates or mail order promotions (id.). The Company proposes a budget of $377,600 for this program (Exh. EE-2, Sch. CSW-13).[19] The Company does not propose to conduct an impact evaluation of this program in 1996 (Exh. DPU-2, at 1).

6. Residential New Construction Program

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[17] Customers with electric space heating may be required to contribute a small amount for the installation of weatherization and air sealing measures (Exh. EE-2, Sch. CSW-12, at 7).

[18] In D.P.U. 94-110, the budget for the Residential Retrofit Program comprised the Single Family Retrofit, Multifamily Retrofit, Residential Efficient Lighting, and Residential General Use Programs (DPU-2, at 4). In this proceeding, the Company proposes to divide services previously offered under the Multifamily Program between the Residential Retrofit and the Small/Medium C/I Programs, which accounts for a portion of the budget decrease (id. at 2). The remainder of the budget decrease can primarily be ascribed to the Company's proposal to piggyback the installation of measures for general use and electric water heating customers onto the Energy Conservation Services Program (id.).

[19] The budget for this program in D.P.U. 94-110 was included in the budgets for the Single Family Retrofit, Multifamily Retrofit, and Residential General Use Programs, but was not explicitly defined in that proceeding (Exh. DPU-2, at 2).

The Residential New Construction Program comprises the former Energy Crafted Homes Program and the Prescriptive Lighting Program, and promotes efficient residential building practices to all customers and trade allies involved in new residential construction to reduce peak demand and energy consumption (Exh. EE-2, Sch. CSW-12, at 10). In an effort to increase customer demand for efficient measures in construction and to increase incentives to customers for participating in the program, the Company will work with mortgage lenders to reduce closing costs or mortgage interest rates for participating customers (id.). The proposed budget for this program is $109,100, which represents a decrease of $1,679 from the budget approved in D.P.U. 94-110 (Exh. DPU-2, at 5). The Company does not propose to conduct an impact evaluation of this program in 1996 (Exh. EE-2, at 1).

C. Analysis and Findings

The Department finds that the program designs submitted by the Company are generally consistent with the programs approved in D.P.U. 94-110. Where modifications to the program designs have been made, the Department finds the changes to be reasonable. Accordingly, the Department approves the Company's proposed 1996 DSM programs. The Department also finds that the proposed changes to the budgets for these programs are reasonable. Therefore, the Department approves the budgets submitted by the Company for its 1996 DSM Programs.

The Department is concerned that the significant changes to the customer contribution required by multifamily facilities may have an adverse effect on participation by this customer sector. Therefore, the Department directs the Company to track customer participation levels of Multifamily customers in 1996 and to adjust the customer contribution levels for these customers, if participation is adversely affected.

IV. CONSERVATION COST CLAUSE TARIFF

A. Company Proposal

The Company is seeking approval of a CC Tariff, M.D.P.U. 302, which would be effective January 1, 1996, and would cancel the Company's existing CC Tariff, M.D.P.U. 300 (Exh. EE-1, at 8-9). According to the Company, the proposed tariff was designed to reflect the fact that Montaup Electric Company ("Montaup"), the affiliate of EECo that has been providing DSM services to the Company, will cease providing these services on and after January 1, 1996 (id.). In order to continue to recover DSM expenses, the Company proposed deleting from its existing CC Tariff references to expenses incurred by Montaup on EECo's behalf (id.).

In addition, the Company proposed the deletion of the January 1 filing requirement contained in the Company's CC Tariff, M.D.P.U. 300, in order to (1) provide flexibility in the initiation of changes to the CC and (2) afford the Department the time necessary to review a filing (id.).

B. Analysis and Findings

The Department finds that the Company's proposed CC Tariff provides a reasonable mechanism for recovering DSM program expenses that the Company will incur as of January 1, 1996. The Department further finds that the Company's proposed elimination of a January 1 filing date is reasonable. Accordingly, the Department finds that the Company's proposed CC Tariff, M.D.P.U. 302, is just and reasonable.

V. CONSERVATION CHARGES

A. Company Proposal

In this filing, the Company proposes to recover, through 1996 CCs beginning January 1, 1996: (1) 1996 DSM program expenditures ("CC factor"); (2) LBR associated with implementation years 1992, 1993, and 1994 ("LBR factor"); and (3) the reconciliation of past revenues and expenses associated with DSM ("TC factor") (Exh. EE-1, at 2-3). The Company proposed new CCs for the residential rate classes ranging from - 0.152 cents per KWH (for the W-1 rate class) to 0.789 cents per KWH (for the R-3 rate class), and for C/I rate classes from - 0.143 cents per KWH (for the A-6 rate class) to 0.484 cents per KWH (for the G-2/T-2, H-1 rate classes) (Exh. DPU-23, Sch. 1, revised).

The CC factor was calculated separately for the two rate categories (residential and C/I) by adding the projected 1996 direct DSM program expenditures, the indirect expenses, and the underrecovery from 1995 and dividing the sum by 1996 forecasted sales (Exh. EE-1, Sch. 2, at 1-2). The LBR factor was calculated by multiplying savings estimates for years 1994, 1995, and 1996 (as determined in the impact evaluations)[20] by the LBR decimal[21] then dividing this number by the forecasted sales (id. at 5). The TC factor was calculated for each rate class (four

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[20] The estimates for 1994 include reconciliation of the 1992 and 1993 savings estimates and initial savings estimates for 1994 installations (Exh. DPU-23). The estimates for 1995 and 1996 are preliminary because savings information from 1995 and 1996 installations is not yet available (Exh. EE-2, at 7).

[21] The Company derived the LBR decimal from its 1991 embedded-cost-of-service study and stated that it allows the Company to recover embedded transmission and distribution costs associated with the reduction in sales due to conservation programs (Exh. EE-1, Sch. 2, at 1-2).

residential and eight C/I) by reconciling the actual DSM expenditures with revenue recovered from October 1, 1994 through September 30, 1995 (id., Sch. 3, revised).

B. Analysis and Findings

In D.P.U. 94-4-CC at 31-35, the Company requested and the Department approved recovery of LBR for 1993 and 1994 savings from 1991, 1992, and 1993 installations. In the instant proceeding, the Company has proposed to recover LBR for partial 1994, 1995, and 1996 savings from 1992, 1993, and 1994 installations. The Department has previously approved the Company's method of assigning costs over time to those rate classes participating in the Company's programs by reconciling costs with revenue through the TC factor mechanism. Eastern Edison Company, D.P.U. 94-4-CC at 49 (1994). The record shows that the Company used the same method to compute the proposed CCs in this proceeding and that the CCs reflect the Company's cost to serve each rate class. The Department finds the Company's allocation method consistent with Department policy and therefore approves the proposed CCs as presented in this filing (see Table 1, attached).

VI. ORDER

Accordingly, after due notice, hearing and consideration, it is

ORDERED: That the Conservation Cost Clause Tariff, M.D.P.U. 302, filed by Eastern Edison Company on October 27, 1995, and to become effective January 1, 1996, be and hereby is approved; and it is

FURTHER ORDERED: That Eastern Edison Company shall implement on and after January 1, 1996 the conservation charges as set forth in Table 1, attached to this Order; and it is

FURTHER ORDERED: That Eastern Edison Company shall comply with all directives contained herein.

By Order of the Department,

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John B. Howe, Chairman

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Mary Clark Webster, Commissioner

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Janet Gail Besser, Commissioner